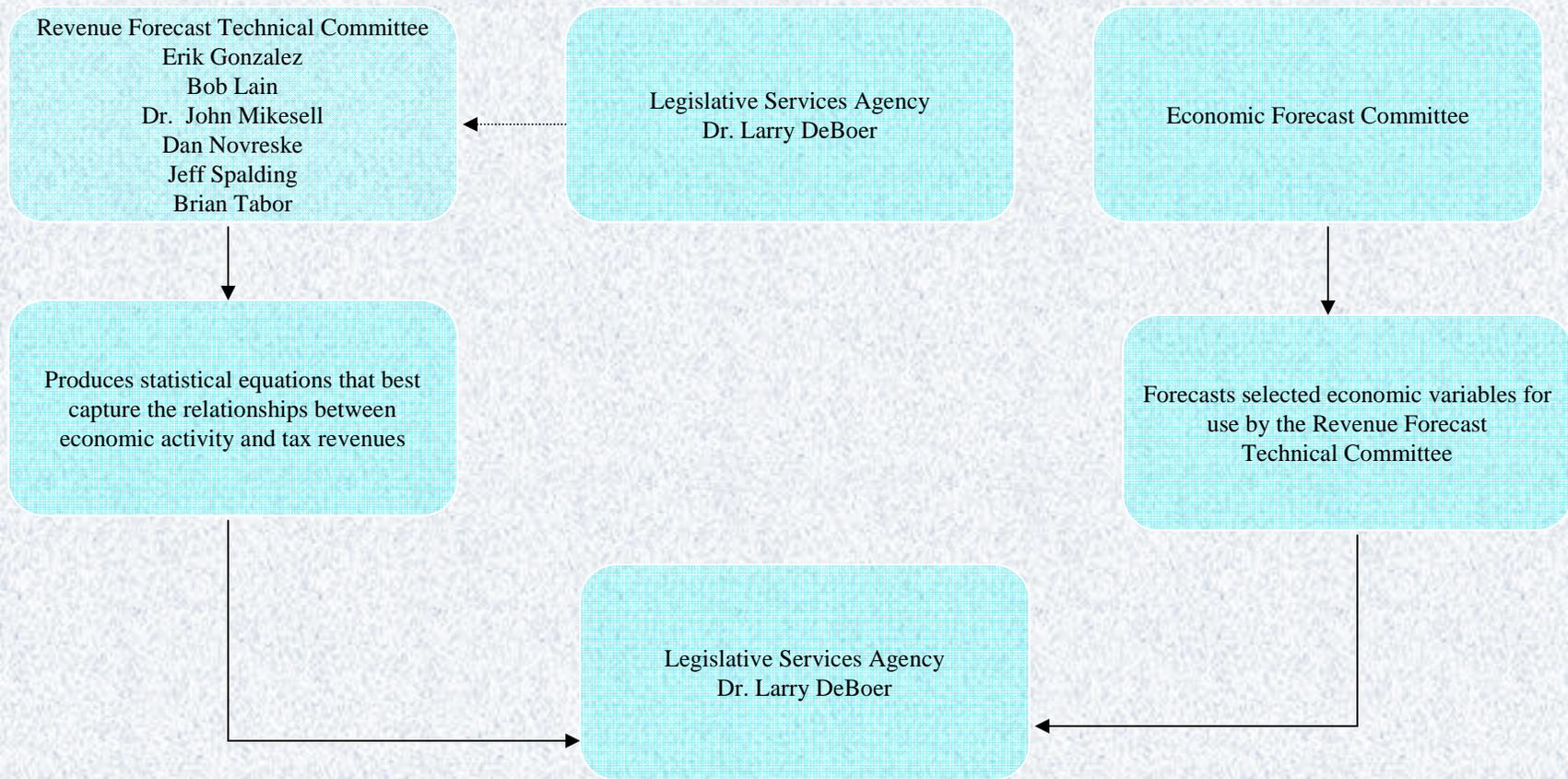


**GENERAL FUND AND PROPERTY TAX REPLACEMENT FUND
REVENUE FORECAST**

**REVENUE FORECAST TECHNICAL COMMITTEE
DECEMBER 14, 2004**

GENERAL FUND AND PROPERTY TAX REPLACEMENT FUND REVENUE FORECAST PROCESS



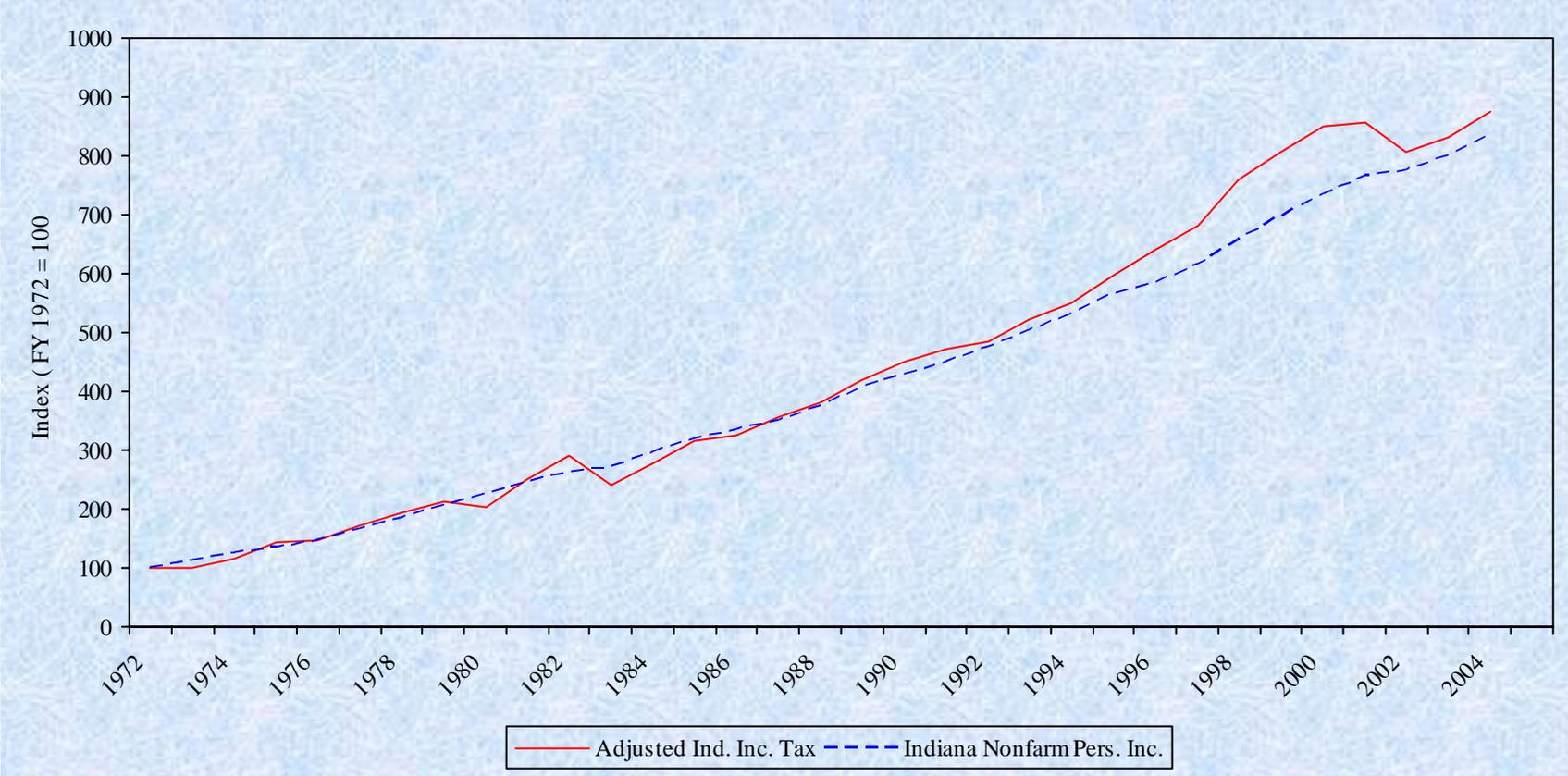
SOURCES OF FORECAST ERRORS

- Measurement errors in the variables used to forecast
- Incorrect specification of the equations used
- Errors in the forecast of the independent variables

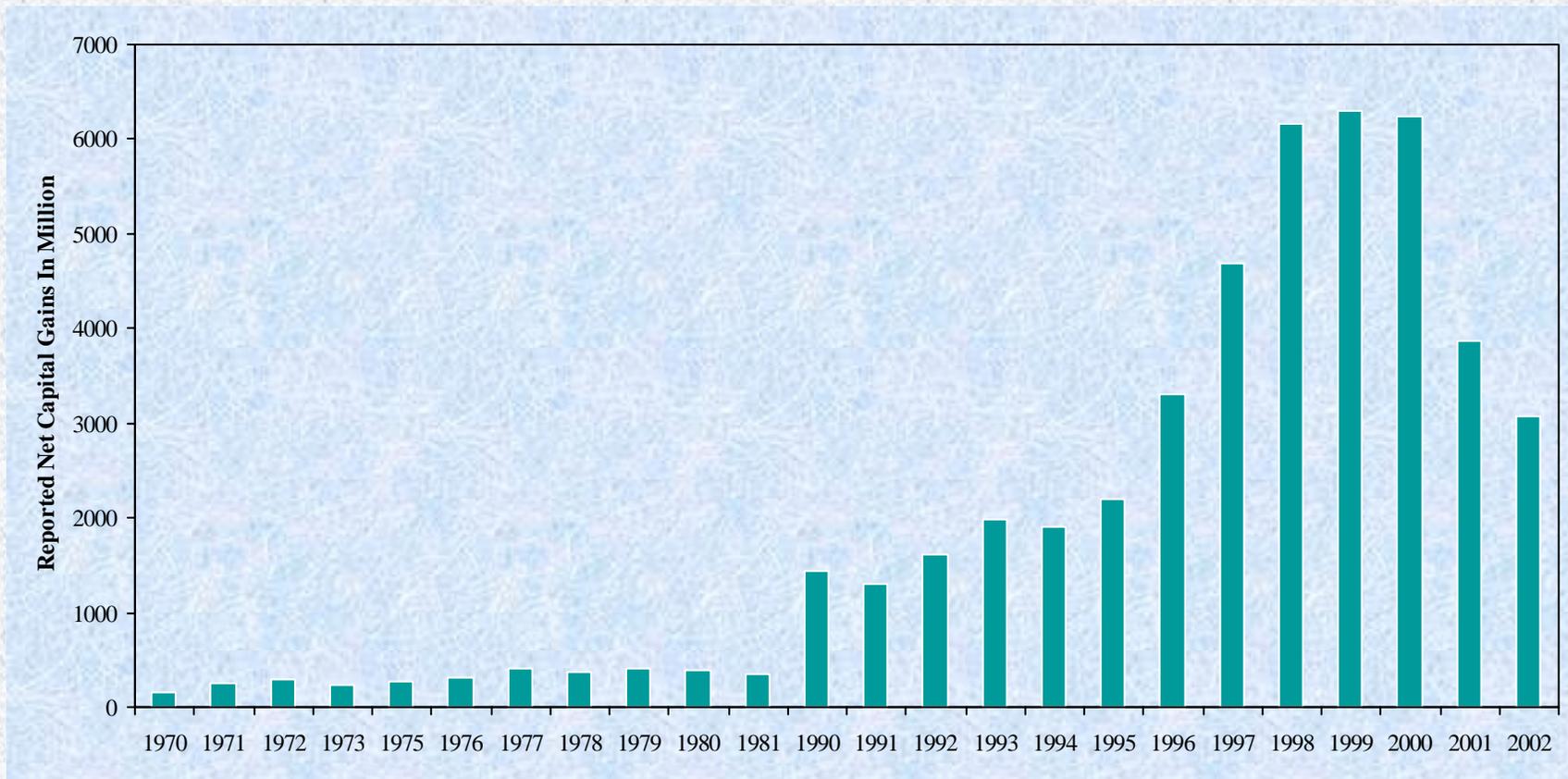
JANUARY 2004 FORECAST

	FY 2004 Forecast	FY 2004 Actual Revenue	Difference	% Difference
Sales Tax	\$4,716.1	\$4,721.0	\$4.9	0.1%
Individual Income Tax	\$3,780.4	\$3,807.9	\$27.4	0.7%
Corporate Income Tax	\$608.3	\$644.7	\$36.3	6.0%
Gaming	\$593.9	\$601.5	\$7.7	1.3%
Cigarette	\$292.2	\$283.8	-\$8.4	-2.9%
Alcoholic Beverage Tax	\$13.4	\$14.2	\$0.8	6.2%
Inheritance	\$120.0	\$140.0	\$20.0	16.7%
Insurance	\$184.1	\$175.1	-\$9.0	-4.9%
Interest	\$38.0	\$38.3	\$0.3	0.8%
Misc. Revenue	\$215.0	\$193.4	-\$21.6	-10.0%
Total	\$10,561.5	\$10,619.9	\$58.4	0.6%

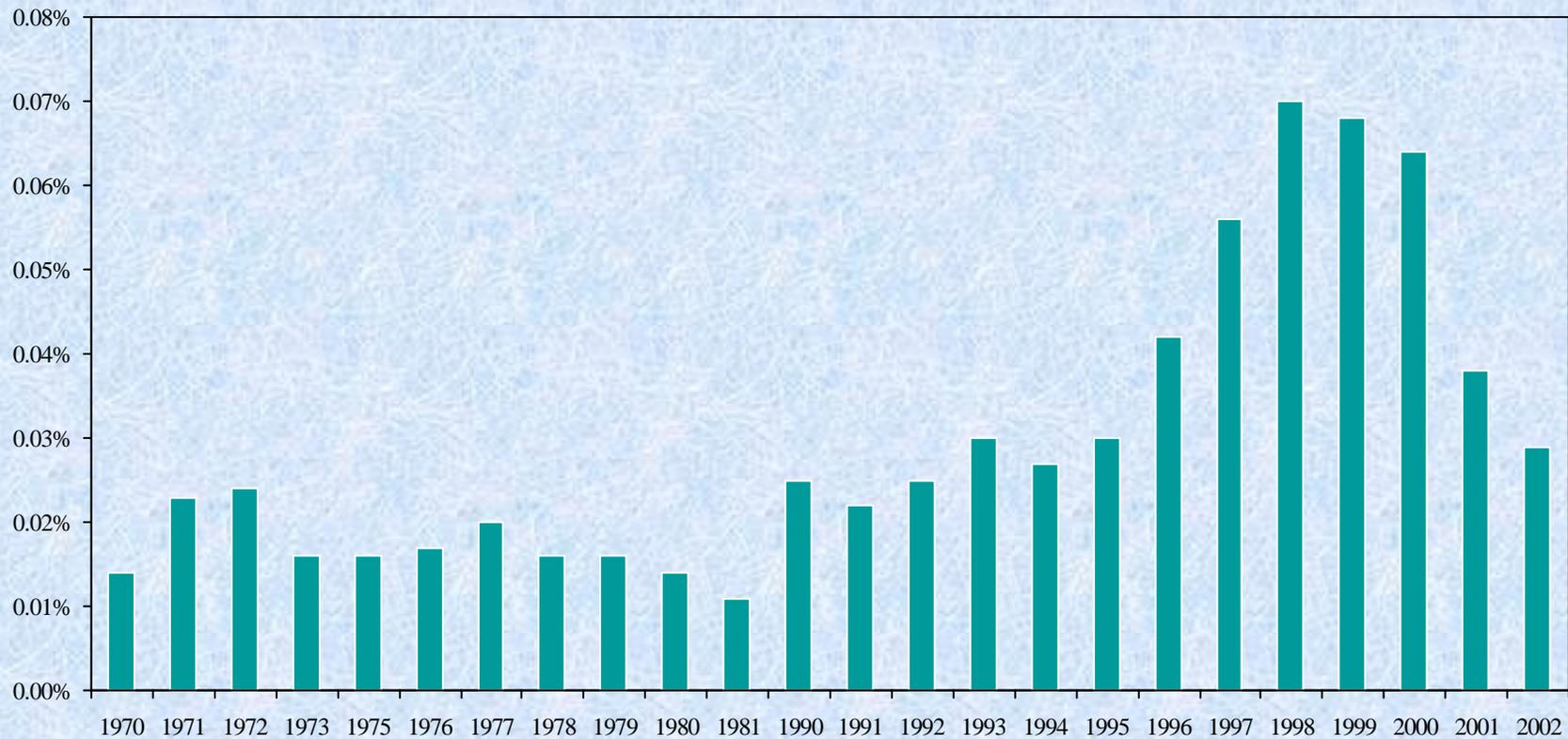
ADJUSTED INDIVIDUAL INCOME TAX AND NONFARM PERSONAL INCOME



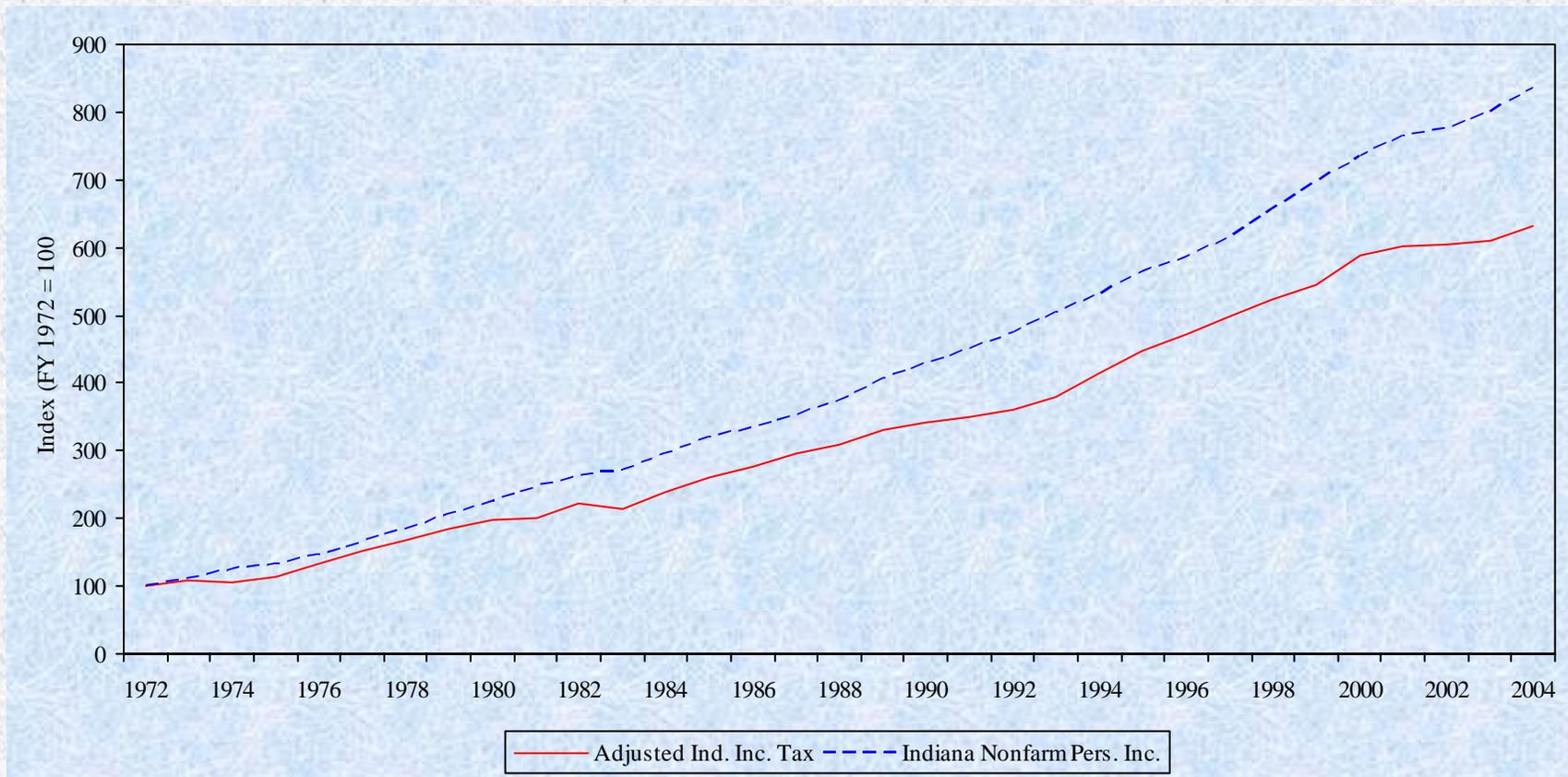
NET CAPITAL GAINS REPORTED BY INDIANA TAXPAYERS



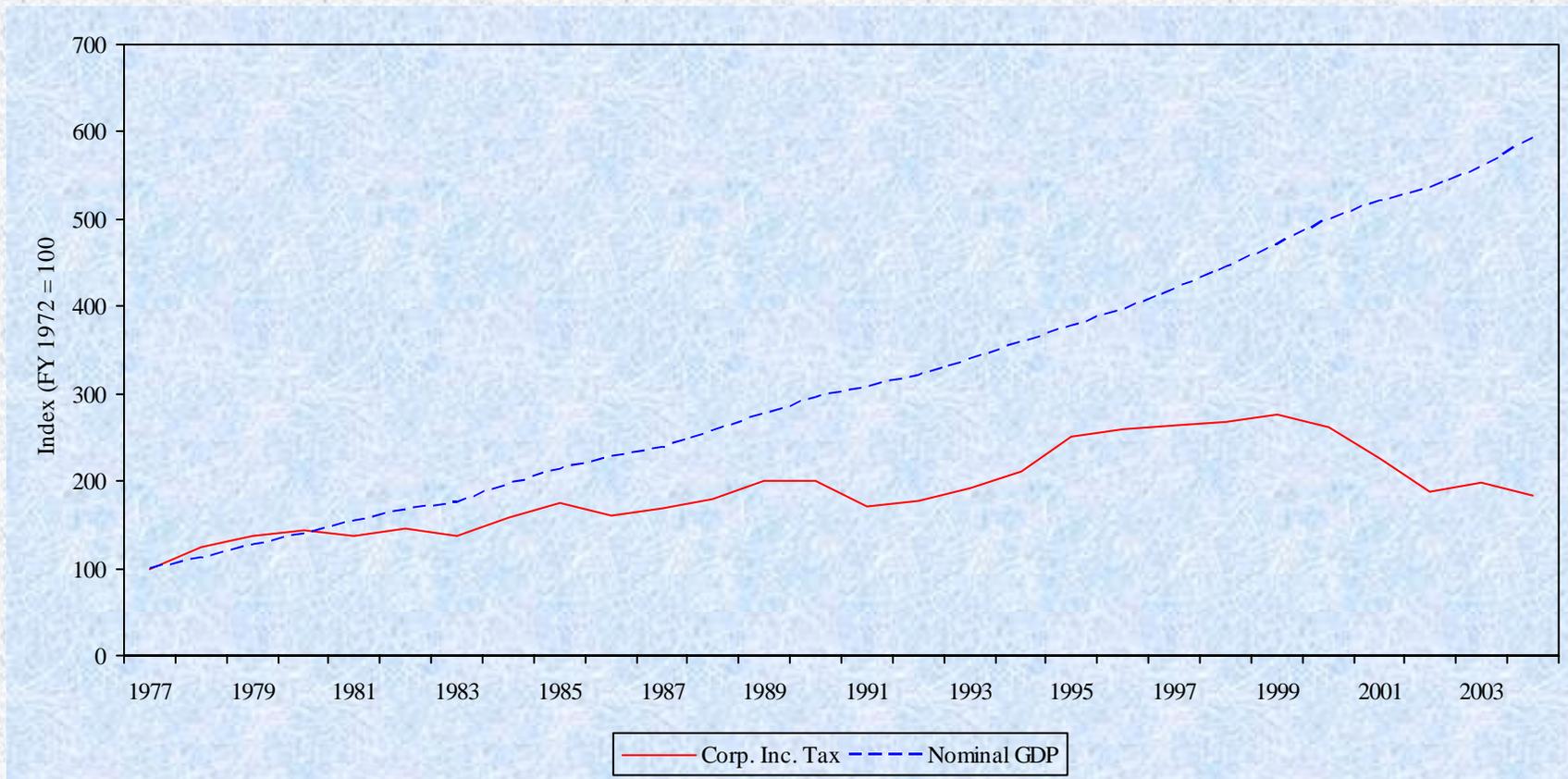
NET CAPITAL GAINS REPORTED BY INDIANA TAXPAYERS AS A PERCENT OF U.S. GDP



ADJUSTED SALES TAX AND NONFARM PERSONAL INCOME



CORPORATE INCOME TAX AND NOMINAL GDP



STATE REVENUE FORECAST
Combined General Fund and Property Tax Replacement Fund
Fiscal Years 2005, 2006, and 2007
December 14, 2004
(in millions)

	<u>Actual</u> <u>2004</u>	<u>Prior</u> <u>Forecast</u> <u>2005</u>	<u>Updated</u> <u>Forecast</u> <u>2005</u>	<u>Diff. From</u> <u>Prior</u> <u>Forecast</u>	<u>Percent</u> <u>Diff. From</u> <u>Prior</u> <u>Forecast</u>	<u>Percent</u> <u>Growth</u> <u>Over</u> <u>2004</u>	<u>Forecast</u> <u>2006</u>	<u>Percent</u> <u>Growth</u> <u>Over</u> <u>2005</u>	<u>Forecast</u> <u>2007</u>	<u>Percent</u> <u>Growth</u> <u>Over</u> <u>2006</u>
<u>General & PTR Funds</u>										
Sales	4,721.0	4,937.5	4,956.8	19.2	0.4%	5.0%	5,187.1	4.6%	5,439.4	4.9%
Individual	3,807.9	3,971.8	4,102.1	130.3	3.3%	7.7%	4,308.8	5.0%	4,586.3	6.4%
Corporate	644.7	630.9	811.7	180.8	28.7%	25.9%	754.6	-7.0%	777.8	3.1%
Subtotal "Big Three"	9,173.5	9,540.2	9,870.5	330.3	3.5%	7.6%	10,250.6	3.9%	10,803.5	5.4%
Gaming	601.5	599.3	599.9	0.6	0.1%	-0.3%	641.0	6.9%	700.0	9.2%
Cigarette	283.8	300.3	292.9	-7.4	-2.4%	3.2%	295.9	1.0%	299.2	1.1%
AB Taxes	14.2	13.3	14.1	0.8	6.0%	-0.7%	14.1	0.0%	14.2	0.7%
Inheritance	140.0	120.0	135.0	15.0	12.5%	-3.6%	120.0	-11.1%	120.0	0.0%
Insurance	175.1	175.7	175.7	0.0	0.0%	0.3%	175.7	0.0%	175.7	0.0%
Interest	38.3	38.0	34.2	-3.8	-10.0%	-10.7%	49.3	44.2%	54.0	9.5%
Other	193.4	215.0	190.0	-25.0	-11.6%	-1.8%	190.0	0.0%	190.0	0.0%
Subtotal	844.8	862.3	841.9	-20.4	-2.4%	-0.3%	845.0	0.4%	853.1	1.0%
<u>Total General & PTR Funds</u>	10,619.9	11,001.8	11,312.3	310.5	2.8%	6.5%	11,736.6	3.8%	12,356.6	5.3%

STATE REVENUE FORECAST
Detail for General Fund and Property Tax Replacement Fund
Fiscal Years 2005, 2006, and 2007
December 14, 2004
(in millions)

	<u>Actual 2004</u>	<u>Prior Forecast 2005</u>	<u>Updated Forecast 2005</u>	<u>Diff. From Prior Forecast</u>	<u>Percent Diff. From Prior Forecast</u>	<u>Percent Growth Over 2004</u>	<u>Forecast 2006</u>	<u>Percent Growth Over 2005</u>	<u>Forecast 2007</u>	<u>Percent Growth Over 2006</u>
<u>General Fund</u>										
Sales	2,316.1	2,448.7	2,456.3	7.6	0.3%	6.1%	2,572.4	4.7%	2,697.6	4.9%
Individual	3,274.8	3,415.7	3,522.3	106.6	3.1%	7.6%	3,705.6	5.2%	3,944.2	6.4%
Corporate	644.7	630.9	811.7	180.8	28.7%	25.9%	754.6	-7.0%	777.8	3.1%
Subtotal "Big Three"	6,235.6	6,495.3	6,790.3	295.0	4.5%	8.9%	7,032.6	3.6%	7,419.6	5.5%
Cigarette	283.8	300.3	292.9	-7.4	-2.4%	3.2%	295.9	1.0%	299.2	1.1%
AB Taxes	14.2	13.3	14.1	0.8	6.0%	-0.7%	14.1	0.0%	14.2	0.7%
Inheritance	140.0	120.0	135.0	15.0	12.5%	-3.6%	120.0	-11.1%	120.0	0.0%
Insurance	175.1	175.7	175.7	0.0	0.0%	0.3%	175.7	0.0%	175.7	0.0%
Interest	38.3	38.0	34.2	-3.8	-10.0%	-10.7%	49.3	44.2%	54.0	9.5%
Other	193.4	215.0	190.0	-25.0	-11.6%	-1.8%	190.0	0.0%	190.0	0.0%
Subtotal	844.8	862.3	841.9	-20.4	-2.4%	-0.3%	845.0	0.4%	853.1	1.0%
<u>Total General Fund</u>	7,080.3	7,357.6	7,632.2	274.6	3.7%	7.8%	7,877.6	3.2%	8,272.7	5.0%
<u>PTR Fund</u>										
Sales	2,404.9	2,488.9	2,500.4	11.6	0.5%	4.0%	2,614.7	4.6%	2,741.9	4.9%
Individual	533.1	556.0	579.8	23.8	4.3%	8.8%	603.2	4.0%	642.1	6.4%
Gaming	601.5	599.3	599.9	0.6	0.1%	-0.3%	641.0	6.9%	700.0	9.2%
<u>Total PTR Fund</u>	3,539.5	3,644.3	3,680.2	35.9	1.0%	4.0%	3,859.0	4.9%	4,084.0	5.8%
<u>Total General & PTR Funds</u>	10,619.9	11,001.8	11,312.4	310.5	2.8%	6.5%	11,736.6	3.7%	12,356.6	5.3%

NOTES TO THE REVENUE FORECAST

- \$81.2M has been added to the FY 2005 forecast to account for the one-time impacts of *Aztar Gaming Corporation vs. Indiana Department of State Revenue*
- The forecast has been increased by \$32.1M in FY 2005, \$34.6M in FY 2006, and \$37.3M in FY 2007 to account for the on-going impacts of *Aztar Gaming Corporation vs. Indiana Department of State Revenue*
- The Earned Income Tax Credit expires at the end of tax year 2005 adding \$51.3M to forecasted revenue in FY 2007
- Removing the impacts of *Aztar Gaming Corporation vs. Indiana Department of State Revenue* and assuming the Earned Income Tax Credit is extended would have resulted in forecasted revenue
 - Increasing by \$579M or 5.5% in FY 2005
 - Increasing by \$502M or 4.5% in FY 2006
 - Increasing by \$566M or 4.8% in FY 2007

While the Revenue Forecast Technical Committee strives to produce the best possible forecasts for each revenue source, it is unlikely each component of this forecast will prove to be completely accurate. The Committee believes that in total it has produced a realistic and responsible forecast.